

AMENDED IN SENATE MARCH 22, 2010

SENATE BILL

No. 1146

Introduced by Senator Florez

February 18, 2010

An act to amend Section 116.230 of the Code of Civil Procedure, and to amend Sections 22165 and 22166 of, ~~to add Section 22304.1 to,~~ and to add Article 5 (commencing with Section 22173) to Chapter 1 of *and to add and repeal Article 3.5 (commencing with Section 22348) of Chapter 2 of* Division 9 of, the Financial Code, relating to finance lenders.

LEGISLATIVE COUNSEL'S DIGEST

SB 1146, as amended, Florez. Finance lenders: finders: small loans.

(1) Existing law, the California Finance Lenders Law, provides for the licensure and regulation of finance lenders and brokers by the Commissioner of Corporations and makes a willful violation *of* its provisions a crime. Existing law prohibits a licensed finance lender or broker from using advertising copy after its use has been disapproved by the commissioner and the licensee is notified in writing of the disapproval. Existing law authorizes the commissioner to require a licensee to maintain a file of all advertising copy for a period of 90 days from the date of its use. Existing law regulates the charges a licensee may impose or receive on loans it makes and authorizes a licensee to contract for and receive specified alternative charges and administrative and delinquency fees.

This bill would authorize the commissioner to direct any licensee to submit advertising copy for review by the commissioner prior to its use. The bill would authorize the commissioner to require a licensee to

maintain a file of all advertising copy for a period of 2 years from the date of its use.

The bill would *establish the Pilot Program for Affordable Credit-Building Opportunities for the purpose of increasing the availability of credit-building opportunities to underbanked individuals seeking low-dollar-value loans. The bill would require licensees to file an application with the commissioner to participate in the program. The bill would authorize a licensee approved by the commissioner to participate in the program to impose specified alternative charges, including an administrative fee and delinquency fees, on loans of less than \$2,500, subject to certain requirements and to use the services of finders, defined as persons who bring a licensee and a prospective borrower together for the purpose of negotiating a loan contract. The bill would require a written agreement meeting specified requirements in order for a licensee to use the services of a finder, would establish the services a finder would be authorized to perform, and would require a finder to comply with the laws applicable to the licensee relative to information security. The bill would require a licensee to notify the commissioner within 10 days of using the services of entering into a contract with a finder, would require a licensee to pay an annual finder registration fee to the commissioner, and would require a licensee to submit an annual report to the commissioner on the licensee's relationship and business arrangements with a finder, as specified. The bill would authorize the commissioner to examine the operations of a licensee and a finder to ensure that the activities of the licensee and the finder are in compliance with these provisions. The bill would make a licensee that uses a finder responsible for the finder's a violation of these provisions by a finder or a finder's employee. The bill would require the commissioner to report to the Legislature, by January 1, 2014, summarizing utilization of the Pilot Program for Affordable Credit-Building Opportunities, as specified.*

~~The bill would also authorize a licensee, for loans in an amount less than \$2,500, to impose different alternative charges, including an administrative fee and a delinquency fee, if specified conditions are satisfied.~~

Because a willful violation of these provisions would be a crime, this bill would impose a state-mandated local program.

(2) Existing law establishes specified filing fees the clerk of a court is authorized to collect in small claims cases.

This bill would establish a \$25-filing fee for any small claim action filed relative to the alternative charges authorized by this bill for loans ~~in an amount less than \$2,500 made pursuant to the pilot program.~~

(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 116.230 of the Code of Civil Procedure
2 is amended to read:

3 116.230. (a) In a small claims case, the clerk of the court shall
4 charge and collect only those fees authorized under this chapter.

5 (b) If the party filing a claim has filed 12 or fewer small claims
6 in the state within the previous 12 months, the filing fee is the
7 following:

8 (1) Thirty dollars (\$30) if the amount of the demand is one
9 thousand five hundred dollars (\$1,500) or less.

10 (2) Fifty dollars (\$50) if the amount of the demand is more than
11 one thousand five hundred dollars (\$1,500) but less than or equal
12 to five thousand dollars (\$5,000).

13 (3) Seventy-five dollars (\$75) if the amount of the demand is
14 more than five thousand dollars (\$5,000).

15 (c) If the party has filed more than 12 other small claims in the
16 state within the previous 12 months, the filing fee is one hundred
17 dollars (\$100).

18 (d) (1) If, after having filed a claim and paid the required fee
19 under paragraph (1) of subdivision (b), a party files an amended
20 claim or amendment to a claim that raises the amount of the
21 demand so that the filing fee under paragraph (2) of subdivision
22 (b) would be charged, the filing fee for the amended claim or
23 amendment is twenty dollars (\$20).

24 (2) If, after having filed a claim and paid the required fee under
25 paragraph (2) of subdivision (b), a party files an amended claim
26 or amendment to a claim that raises the amount of the demand so
27 that the filing fee under paragraph (3) of subdivision (b) would be

1 charged, the filing fee for the amended claim or amendment is
2 twenty-five dollars (\$25).

3 (3) If, after having filed a claim and paid the required fee under
4 paragraph (1) of subdivision (b), a party files an amended claim
5 or amendment to a claim that raises the amount of the demand so
6 that the filing fee under paragraph (3) of subdivision (b) would be
7 charged, the filing fee for the amended claim or amendment is
8 forty-five dollars (\$45).

9 (4) The additional fees paid under this subdivision are due upon
10 filing. The court shall not reimburse a party if the party's claim is
11 amended to demand a lower amount that falls within the range for
12 a filing fee lower than that originally paid.

13 (e) Each party filing a claim shall file a declaration with the
14 claim stating whether that party has filed more than 12 other small
15 claims in the state within the last 12 months.

16 (f) Notwithstanding subdivisions (b), (c), and (d), for any action
17 filed to enforce a contract entered into pursuant to ~~Section 22304.1~~
18 ~~22351~~ of the Financial Code, the filing fee shall be twenty-five
19 dollars (\$25).

20 (g) The clerk of the court shall deposit fees collected under this
21 section into a bank account established for this purpose by the
22 Administrative Office of the Courts and maintained under rules
23 adopted by or trial court financial policies and procedures
24 authorized by the Judicial Council under subdivision (a) of Section
25 77206 of the Government Code. The deposits shall be made as
26 required under Section 68085.1 of the Government Code and trial
27 court financial policies and procedures authorized by the Judicial
28 Council.

29 (h) (1) The Administrative Office of the Courts shall distribute
30 six dollars (\$6) of each thirty-dollar (\$30) fee, eight dollars (\$8)
31 of each fifty-dollar (\$50) fee, ten dollars (\$10) of each
32 seventy-five-dollar (\$75) fee, and fourteen dollars (\$14) of each
33 one hundred-dollar (\$100) fee collected under subdivision (b) or
34 (c), and four dollars (\$4) of each twenty-five dollar (\$25) fee
35 collected under subdivision (f), to a special account in the county
36 in which the court is located to be used for the small claims
37 advisory services described in Section 116.940, or, if the small
38 claims advisory services are administered by the court, to the court.
39 The Administrative Office of the Courts shall also distribute two
40 dollars (\$2) of each seventy-five-dollar (\$75) fee collected under

subdivision (b) to the law library fund in the county in which the court is located.

(2) From the fees collected under subdivision (d), the Administrative Office of the Courts shall distribute two dollars (\$2) to the law library fund in the county in which the court is located, and three dollars (\$3) to the small claims advisory services described in Section 116.940, or, if the small claims advisory services are administered by the court, to the court.

(3) Records of these moneys shall be available from the Administrative Office of the Courts for inspection by the public on request.

(4) Nothing in this section precludes the court or county from contracting with a third party to provide small claims advisory services as described in Section 116.940.

(i) The remainder of the fees collected under subdivisions (b), (c), (d), and (f) shall be transmitted monthly to the Controller for deposit in the Trial Court Trust Fund.

(j) All money distributed under this section to be used for small claims advisory services shall be used only for providing those services as described in Section 116.940. Nothing in this section shall preclude the county or the court from procuring other funding to comply with the requirements of Section 116.940.

SEC. 2. Section 22165 of the Financial Code is amended to read:

22165. No advertising copy shall be used after its use has been disapproved by the commissioner and the licensee is notified in writing of the disapproval. The commissioner may by order direct any licensee to submit advertising copy to the commissioner for review prior to use, provided that the commissioner has established procedures to ensure that the review is effected expeditiously. The commissioner may not require prior review of advertising copy except as provided in this section: *review prior to use.*

SEC. 3. Section 22166 of the Financial Code is amended to read:

22166. The commissioner may require licensees to maintain a file of all advertising copy for a period of two years from the date of its use. The file shall be available to the commissioner upon request.

~~SEC. 4. Article 5 (commencing with Section 22173) is added to Chapter 1 of Division 9 of the Financial Code, to read:~~

~~Article 5. Finders~~

SEC. 4. Article 3.5 (commencing with Section 22348) is added to Chapter 2 of Division 9 of the Financial Code, to read:

Article 3.5. Pilot Program for Affordable Credit-Building Opportunities

22348. (a) The Pilot Program for Affordable Credit-Building Opportunities is hereby established and is intended to increase the availability of affordable credit-building opportunities to underbanked individuals seeking low-dollar-value loans and to help those individuals move into the financial mainstream.

(b) All references in this article to the program shall mean and refer to the Pilot Program for Affordable Credit-Building Opportunities.

22349. Any licensee wishing to participate in the program shall file an application with the commissioner, in a manner prescribed by the commissioner, and shall pay a fee to the commissioner, in an amount calculated by the commissioner to cover its costs to administer this article.

22350. No licensee may offer or make a loan, nor impose any charges or fees pursuant to Section 22351, nor use a finder pursuant to Section 22352, without prior approval from the commissioner to participate in the program.

22351. (a) As an alternative to the charges authorized by Section 22303 or 22304, a licensee approved by the commissioner to participate in the program may contract for and receive charges at a rate not exceeding 3 percent per month on any portion of the unpaid principal balance of a loan.

(b) Any loan made pursuant to this section shall comply with the following requirements:

(1) Interest on the loan accrues on a simple-interest basis, through the application of a daily periodic rate to the actual unpaid principal balance each day.

(2) The licensee discloses the following to the consumer in writing at the time of application:

(A) The annual percentage rate, the periodic payment amount, and the total finance charge, calculated as required by Federal

1 *Reserve Board Regulation Z, as to a loan of an amount and term*
2 *substantially similar to the loan applied for by the consumer.*

3 *(B) That the consumer shall have the right to rescind the loan*
4 *by notifying the licensee of the consumer's intent to rescind the*
5 *loan and returning the principal advanced by the end of the*
6 *business day following the date of the consummation of the loan.*

7 *(3) The loan has a term of not less than 90 days and a minimum*
8 *principal amount upon origination of two hundred fifty dollars*
9 *(\$250).*

10 *(c) As to any loan made under this section, a licensee approved*
11 *by the commissioner to participate in the program may contract*
12 *for and receive an administrative fee, which shall be fully earned*
13 *immediately upon making the loan, in an amount not in excess of*
14 *either 5 percent of the principal amount, exclusive of the*
15 *administrative fee, or seventy-five dollars (\$75), whichever is less.*
16 *An administrative fee shall not be contracted for or received in*
17 *connection with the refinancing of a loan unless at least one year*
18 *has elapsed since the receipt of a previous administrative fee paid*
19 *by the borrower. Only one administrative fee shall be contracted*
20 *for or received until the loan has been repaid in full. For purposes*
21 *of this section, "bona fide principal amount" shall be determined*
22 *in accordance with Section 22251. Section 22305 shall not apply*
23 *to any loan made under this section.*

24 *(d) Notwithstanding subdivision (a) of Section 22320.5, a*
25 *licensee approved by the commissioner to participate in the*
26 *program may contract for and receive a delinquency fee not in*
27 *excess of one of the following amounts:*

28 *(1) For a period in default of not less than seven days, an*
29 *amount not in excess of twenty dollars (\$20).*

30 *(2) For a period in default of not less than 14 days, an amount*
31 *not in excess of twenty-five dollars (\$25).*

32 *(e) The following shall apply to a loan made by a licensee*
33 *pursuant to this section:*

34 *(1) Prior to disbursement of loan proceeds, the licensee shall*
35 *either (A) offer a credit education program or seminar to the*
36 *borrower, that has been previously reviewed and approved by the*
37 *commissioner for use in complying with this section; or (B) invite*
38 *the borrower to a credit education program or seminar offered by*
39 *an independent third party, that has been previously reviewed and*
40 *approved by the commissioner for use in complying with this*

1 *section. The borrower shall not be required to participate in either*
2 *of these education programs or seminars.*

3 *(2) The licensee shall report each borrower's payment*
4 *performance to at least one of the three major credit bureaus in*
5 *the United States.*

6 *(3) The licensee shall underwrite each loan, and shall not make*
7 *a loan, if it determines through its underwriting that the borrower's*
8 *total monthly debt service payments, at the time of origination,*
9 *including the loan for which the borrower is being considered,*
10 *and across all outstanding forms of credit known to the licensee,*
11 *do not exceed 50 percent of the borrower's gross monthly income.*

12 *(f) This section shall not apply to any loan of a bona fide*
13 *principal amount of two thousand five hundred dollars (\$2,500)*
14 *or more as determined in accordance with Section 22251.*

15 ~~22173.~~

16 22352. (a) A licensee who is approved by the commissioner
17 to participate in the program may use the services of one or more
18 finders as provided in this article.

19 (b) For purposes of this article, a "finder" means a person who
20 brings a licensee and a prospective borrower together for the
21 purpose of negotiating a loan contract.

22 ~~22174.~~

23 22353. (a) A finder may perform one or more of the following
24 services for a licensee:

25 ~~(1) Preparing and designing advertising relating to loan~~
26 ~~transactions for the licensee's review and written approval prior~~
27 ~~to its distribution, circulation, use, or publication.~~

28 ~~(2)~~

29 (1) Distributing, circulating, using, or publishing preprinted
30 brochures, flyers, fact sheets, or other written materials relating to
31 loans that the licensee can make or negotiate and that have been
32 reviewed and approved in writing by the licensee prior to their
33 being distributed, circulated, or published.

34 ~~(3)~~

35 (2) Providing written factual information about loan terms,
36 conditions, or qualification requirements to a prospective borrower
37 that has been either prepared by the licensee, or reviewed and
38 approved in writing by the licensee. A finder may discuss that
39 information with a prospective borrower in general terms, but may
40 not provide counseling or advice to a prospective borrower.

1 ~~(4)~~

2 (3) Notifying a prospective borrower of the information needed
3 in order to complete a loan application without providing
4 counseling or advice to a prospective borrower.

5 ~~(5)~~

6 (4) Entering information provided by the prospective borrower
7 on a preprinted or electronic application form *or onto a*
8 *preformatted computer database* without providing counseling or
9 advice to a prospective borrower.

10 ~~(6) Entering information provided by a prospective borrower~~
11 ~~or third party into a preformatted computer database.~~

12 ~~(7) Accepting and providing a receipt on behalf of a licensee~~
13 ~~for funds received from a prospective borrower for credit or~~
14 ~~appraisal fees.~~

15 ~~(8) Preparing and mailing requests for verification of~~
16 ~~employment, verification of deposits, credit reports, or appraisal~~
17 ~~reports, or obtaining those reports for transmission to the licensee.~~

18 ~~(9) Assembling, under the direction of the licensee, credit~~

19 (5) *Assembling credit* applications and other materials obtained
20 in the course of a credit application transaction for submission to
21 the finance lender, ~~providing the final determination as to~~
22 ~~completeness or compliance is made by the licensee..~~

23 ~~(10) Communicating with a service provider in connection with~~
24 ~~a loan transaction to determine when reports or other information~~
25 ~~needed concerning any aspect of the transaction will be delivered,~~
26 ~~or when certain services will be performed or completed.~~

27 (11) Mailing, delivering, picking up, or arranging the mailing,
28 delivery, or picking up of documents or instruments related to the
29 loan transaction, including obtaining signatures to the documents
30 or instruments from principals, parties, or service providers in
31 connection with the loan transaction, as long as the finder does
32 not interpret or explain the content, relevance, significance, or
33 effect of the document or signature and the documents or
34 instruments have been reviewed and approved in writing by the
35 licensee.

36 ~~(12)~~

37 (6) Contacting the licensee to determine the status of a loan
38 application.

39 ~~(13) Responding to an inquiry or notifying a prospective~~
40 ~~borrower or his or her agent of the status of the loan application~~

1 as long as the finder does not interpret or explain the relevance,
2 significance, or effect of that status. A finder may communicate
3 omissions to a party or principal to the loan as long as the finder
4 does not interpret or explain the relevance or significance of those
5 omissions.

6 ~~(14) Preparing and completing documents and instruments under~~
7 ~~the supervision and direction of the licensee if the final documents~~
8 ~~or instruments will be or have been reviewed and approved in~~
9 ~~writing by the licensee.~~

10 ~~(15) Arranging or making appointments for third-party service~~
11 ~~providers to enter the real property securing the loan, or arranging~~
12 ~~or making appointments for the prospective borrower to meet with~~
13 ~~the licensee or service provider in connection with the loan.~~

14 *(7) Communicating a response that is returned by the licensee's*
15 *automated underwriting system to a borrower or a prospective*
16 *borrower.*

17 *(8) Obtaining a borrower's signature on documents prepared*
18 *by the licensee and delivering final copies of the documents to the*
19 *borrower.*

20 *(b) A finder shall not engage in any of the following activities:*

21 *(1) Providing counseling or advice to a borrower or prospective*
22 *borrower.*

23 *(2) Providing loan-related marketing material that has not*
24 *previously been approved by the licensee to a borrower or a*
25 *prospective borrower.*

26 *(3) Interpreting or explaining the relevance, significance, or*
27 *effect of any of the marketing materials or loan documents the*
28 *finder provides to a borrower or prospective borrower.*

29 ~~(b)~~

30 *(c) Any person who performs one or more of the following*
31 *activities is a broker within the meaning of Section 22004 rather*
32 *than a finder within the meaning of this section:*

33 *(1) Negotiating the price, length, or any other loan term between*
34 *a licensee and a prospective borrower.*

35 *(2) Advising either a prospective borrower or a licensee as to*
36 *any loan term.*

37 *(3) Offering information pertaining to a single prospective*
38 *borrower to more than one licensee, except that, if a licensee has*
39 *declined to offer a loan to a prospective borrower and has so*
40 *notified that prospective borrower in writing, the person may then*

1 offer information pertaining to a single prospective borrower to
2 another licensee with which it has a finder's agreement.

3 (e)

4 (d) A finder shall comply with all laws applicable to the licensee
5 that impose requirements upon the licensee for safeguards for
6 information security.

7 ~~22175.~~

8 22354. A finder may be compensated by the licensee pursuant
9 to the written agreement between the licensee and the finder, as
10 described in Section ~~22177~~. 22356. *No licensee shall, directly or*
11 *indirectly, pass on to a borrower any fee, or any portion of any*
12 *fee, that the licensee pays to a finder in connection with that*
13 *borrower's loan or loan application.*

14 ~~22176.~~

15 22357. A licensee that utilizes the services of a finder shall do
16 all of the following:

17 (a) Notify the commissioner within 10 days of ~~the~~
18 ~~commencement of the utilization of the services of each finder.~~
19 *entering into a contract with a finder, on a form acceptable to the*
20 *commissioner, regarding all of the following:*

21 (1) *The name and business address of the finder.*

22 (2) *The name and contact information for an employee of the*
23 *finder who is knowledgeable about, and has the authority to*
24 *execute, the contract governing the business relationship between*
25 *the finder and the licensee.*

26 (3) *The name and contract information for one or more*
27 *employees of the finder who is or are responsible for the activities*
28 *of the finder at each of its branch locations.*

29 (4) *A list of the activities the finder shall perform on behalf of*
30 *the licensee.*

31 (5) *Any other information requested by the commissioner.*

32 (b) Pay an annual finder registration fee to the commissioner
33 in an amount to be established by the commissioner by regulation
34 for each finder utilized by the licensee.

35 (c) Submit an annual report to the commissioner including any
36 information pertaining to each finder and the licensee's relationship
37 and business arrangements with each finder as the commissioner
38 may by regulation require.

1 ~~22177.~~

2 22358. All arrangements between a licensee and a finder shall
3 be set forth in a written agreement between the parties. The
4 agreement shall contain a provision establishing that the finder
5 agrees to comply with all ~~applicable provisions of this division~~
6 *regulations that are established by the commissioner pursuant to*
7 *this article regarding the activities of finders* and that the
8 commissioner shall have access to all of the finder's books and
9 records that pertain to the finder's operations under the agreement
10 with the licensee.

11 ~~22178.~~

12 22359. The commissioner may examine the operations of each
13 licensee and each finder to ensure that the activities of the licensee
14 and the finder are in compliance with this article. The costs of the
15 commissioner's examination ~~for~~ of each finder shall be attributed
16 to the commissioner's examination of the licensee. Any violation
17 of this article by a finder ~~may~~ *or a finder's employee shall* be
18 attributed to the finance lender with whom it has entered into an
19 agreement for purposes of determining the licensee's compliance
20 with this division.

21 22360. *On or before January 1, 2014, the commissioner shall*
22 *submit a report to the Legislature, in compliance with Section*
23 *9795 of the Government Code summarizing utilization of the Pilot*
24 *Program for Affordable Credit-Building Opportunities, and*
25 *including recommendations regarding whether the program should*
26 *be continued after January 1, 2015. The report shall include, but*
27 *not be limited to, the following:*

28 (a) *The number of finance lender licensees who applied to*
29 *participate in the program.*

30 (b) *The number of finance lender licensees accepted to*
31 *participate in the program.*

32 (c) *The number of loans made pursuant to the program, and*
33 *the distribution of interest rates and principal amounts upon*
34 *origination among those loans.*

35 (d) *Recommendations for improving the program.*

36 (e) *Recommendations regarding whether the program should*
37 *be continued after January 1, 2015.*

38 22361. *This article shall remain in effect only until January 1,*
39 *2015, and as of that date is repealed, unless a later enacted statute,*

1 *that is enacted before January 1, 2015, deletes or extends that*
2 *date.*

3 ~~SEC. 5. Section 22304.1 is added to the Financial Code, to~~
4 ~~read:~~

5 ~~22304.1. (a) As an alternative to the charges authorized by~~
6 ~~Section 22303 or 22304, a licensee may contract for and receive~~
7 ~~charges at a rate not exceeding 3 percent per month on the unpaid~~
8 ~~principal balance, provided that the loan complies with the~~
9 ~~following requirements:~~

10 ~~(1) Interest on the loan accrues on a simple-interest basis,~~
11 ~~through the application of a daily periodic rate to the actual unpaid~~
12 ~~principal balance each day.~~

13 ~~(2) The licensee discloses the following to the consumer in~~
14 ~~writing at the time of application:~~

15 ~~(A) The annual percentage rate, the periodic payment amount,~~
16 ~~and the total finance charge, calculated as required by Federal~~
17 ~~Reserve Board Regulation Z, as to a loan of an amount and term~~
18 ~~substantially similar to the loan applied for by the consumer.~~

19 ~~(B) That the consumer shall have the right to rescind the loan~~
20 ~~by notifying the licensee of the consumer's intent to rescind the~~
21 ~~loan and returning the principal advanced by the end of the business~~
22 ~~day following the date of the consummation of the loan.~~

23 ~~(3) The loan has a term of not less than 90 days and a minimum~~
24 ~~principal amount upon origination of two hundred fifty dollars~~
25 ~~(\$250).~~

26 ~~(b) As to any loan made under this a section, a licensee may~~
27 ~~contract for and receive an administrative fee, which shall be fully~~
28 ~~earned immediately upon making the loan, in an amount not in~~
29 ~~excess of (1) 15 percent of the principal amount, exclusive of the~~
30 ~~administrative fee, or (2) seventy-five dollars (\$75), whichever is~~
31 ~~less. An administrative fee shall not be contracted for or received~~
32 ~~in connection with the refinancing of a loan unless at least one~~
33 ~~year has elapsed since the receipt of a previous administrative fee~~
34 ~~paid by the borrower. Only one administrative fee shall be~~
35 ~~contracted for or received until the loan has been repaid in full.~~
36 ~~For purposes of this section, "bona fide principal amount" shall~~
37 ~~be determined in accordance with Section 22251. Section 22305~~
38 ~~shall not apply to any loan made under this section.~~

1 ~~(e) Notwithstanding subdivision (a) of Section 22320.5, a~~
2 ~~licensee may contract for and receive a delinquency fee not in~~
3 ~~excess of one of the following amounts:~~

4 ~~(1) For a period in default of not less than seven days, an amount~~
5 ~~not in excess of twenty dollars (\$20).~~

6 ~~(2) For a period in default of not less than 14 days, an amount~~
7 ~~not in excess of twenty-five dollars (\$25).~~

8 ~~(d) The following shall apply to a loan made by a licensee~~
9 ~~pursuant to this section:~~

10 ~~(1) Prior to disbursement of loan proceeds, the licensee shall~~
11 ~~either (A) offer a credit education program or seminar to the~~
12 ~~borrower, or (B) invite the borrower to a financial education~~
13 ~~program or seminar offered by an independent third party.~~
14 ~~However, the borrower shall not be required to attend these~~
15 ~~education programs or seminars.~~

16 ~~(2) The licensee shall report each borrower's payment~~
17 ~~performance to at least one of the three major credit bureaus in the~~
18 ~~United States.~~

19 ~~(3) The licensee's underwriting of the loan shall determine that~~
20 ~~the borrower's total monthly debt service payments, at the time of~~
21 ~~origination and across all outstanding forms of credit, do not exceed~~
22 ~~50 percent of the borrower's gross monthly income.~~

23 ~~(e) This section shall not apply to any loan of a bona fide~~
24 ~~principal amount of two thousand five hundred dollars (\$2,500)~~
25 ~~or more as determined in accordance with Section 22251.~~

26 ~~SEC. 6:~~

27 ~~SEC. 5.~~ No reimbursement is required by this act pursuant to
28 Section 6 of Article XIII B of the California Constitution because
29 the only costs that may be incurred by a local agency or school
30 district will be incurred because this act creates a new crime or
31 infraction, eliminates a crime or infraction, or changes the penalty
32 for a crime or infraction, within the meaning of Section 17556 of
33 the Government Code, or changes the definition of a crime within
34 the meaning of Section 6 of Article XIII B of the California
35 Constitution.